

1911

# Regulations prescribing a uniform system of accounts for water companies

Maryland. Public Service Commission

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CIRCULAR No. 35A

# Public Service Commission

## OF MARYLAND

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### Regulations Prescribing a Uniform System of Accounts for Water Companies

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ISSUED BY ORDER OF THE COMMISSION

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June 19, 1911

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BALTIMORE  
1911

REISSUED 1922

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# INDEX

## LIST OF ACCOUNTS.

### SCHEDULE A—BALANCE SHEETS OR INDICANT ACCOUNTS.

#### FIXED CAPITAL.

	PAGE
1 Fixed Capital, June 30, 1911.....	9
11 Organization .....	10
12 Royalties, Franchises and Licenses.....	11
13 Water Collecting System.....	11
1 Water Diversion Rights.....	12
2 Reservations .....	12
3 Impounding Dams and Reservoirs.....	12
4 Lake and River Cribb.....	12
5 Springs and Wells.....	13
6 Infiltration Galleries and Tunnels.....	13
7 Collecting Conduits and Reservoirs.....	13
8 Gravity Intakes and Suction Mains.....	13
9 Aqueducts and Supply Mains.....	13
14 Purification System .....	14
1 Settling Basins .....	14
2 Coagulating Basins .....	14
3 Softening and Iron Removal Plant.....	15
4 Filters .....	15
5 Ozone Sterilizing and Aeration Plant.....	15
6 Chemical Treatment Plant.....	16
7 Clear Water Basins.....	16
15 Pumping Stations .....	17
16 Pumping Plant .....	17
1 Steam Power Pumping Plant.....	17
2 Hydraulic Power Pumping Plant.....	17
3 Electric Power Pumping Plant.....	18
4 Gas Power Pumping Plant.....	18
5 Miscellaneous Pumping Plant Equipment.....	18
17 Transmission Mains .....	18
18 Storage Reservoirs, Tanks and Standpipes.....	19
19 Distribution Mains .....	19
20 Distribution Mains Extensions and Improvement.....	19
21 Service Pipes .....	20
22 Meters, Meter Boxes and Vaults... ..	20
23 Fire Hydrants and Fire Cisterns.. ..	20
24 Fountains, Troughs and other Equipment.....	21
25 Stable and Shop Properties.....	21
26 General Properties .....	21
27 Furniture and Fixtures.....	21
28 Rental Real Properties.....	22
29 Miscellaneous Tangible Properties.....	22
30 Miscellaneous Intangible Capital.....	22

#### FLOATING CAPITAL.

101 Cash .....	22
102 Bills Receivable .....	23
103 Accounts Receivable .....	23
104 Other Current Assets .....	24
105 Material and Supplies.....	24

## INDEX

	PAGE
106 Investments .....	24
107 Sinking Funds, Invested.....	25
108 Sinking Funds, Uninvested.....	25
109 Special Deposits .....	25
110 Prepayments .....	25
111 Unextinguished Discount on Securities.....	26
112 Suspense .....	27

### DEBT.

200 Funded Debt .....	27
Unfunded Debt .....	29
201 Taxes Accrued .....	29
202 Interest Accrued on Funded Debt.....	29
203 Interest Accrued on Unfunded Debt.....	29
204 Judgments Unpaid .....	30
205 Receivers Certificates .....	30
206 Bills Payable .....	31
207 Customer's Deposits .....	31
208 Accounts Payable .....	31
209 Unearned Revenue .....	31
210 Dividends Payable .....	32
211 Other Unfunded Debt.....	32

### RESERVES.

212 Sinking Fund Reserves.....	32
213 Reserve for Accrued Depreciation .....	32
214 Optional Reserves .....	33
215 Premiums on Capital Stock.....	34

### CAPITAL STOCK.

216A Common Stocks .....	34
216B Preferred Stocks .....	34

## SCHEDULE B—INCOME ACCOUNT.

### OPERATING REVENUES.

301 Metered Rates for Private Customers, within the City.....	38
302 Unmetered Rates for Private Customers, within the City....	40
303 Metered Rates for Private Customers, outside the City.....	40
304 Unmetered Rates for Private Customers, outside the City....	40
305 Rates for Municipal and Private Water Supply Enterprises...	41
306 Revenues for Municipal Water Service.....	41
311 Fees for Shutting off and Turning on Water.....	42
312 Plumbing .....	42
313 Rents from Meters, Meter Boxes and Vaults.....	42
314 Sundry Sales .....	42
315 Miscellaneous Operating Revenue.....	43

### NON-OPERATING REVENUES.

321 Interest Revenue .....	43
322 Rents from Real Property.....	43

# INDEX

## OPERATING EXPENSES.

### I—WATER SUPPLY EXPENSES.

	PAGE
401 Collecting System Expenses .....	44
402 Purification System Expenses .....	45
403 Pumping System Expenses .....	45

### II—DISTRIBUTION EXPENSES.

411 Transmission Mains .....	46
412 Storage Reservoir, Tanks and Standpipes.....	46
413 Distribution Mains .....	46
414 Service Pipes and Stops.....	47
415 Meters, Meter Boxes and Vaults .....	47
416 Fire Hydrants and Fire Cisterns.....	47
417 Fountains, Troughs and Other Equipment.....	48

### III—MAINTENANCE EXPENSES.

421 Repairs .....	48
(a) Collecting System .....	48
(b) Purification System .....	48
(c) Pumping System .....	48
(d) Distribution System .....	48
(e) General Repairs of Buildings and Equipment.....	48

### IV—GENERAL EXPENSES.

431 Administration .....	49
432 Insurance .....	49
433 Injuries and Damages.....	49
434 Gratuitous Work .....	49
435 Stable and Shop Expenses .....	50
436 Miscellaneous Operating Expenses.....	50

### DEDUCTIONS FROM INCOME.

437 Taxes .....	50
438 Uncollectible Bills .....	50
439 Interest on Funded Debt.....	50
440 Interest on Unfunded Debt.....	51
441 Inventory Adjustments .....	51
442 Miscellaneous Non-operating Expenses.....	51

### APPROPRIATIONS.

501 Extinguishment of Discount on Securities.....	52
502 Depreciation of Plant .....	52
503 Sinking Funds .....	53
504 Optional Reserves .....	54
505 Dividends Declared .....	54
506 Miscellaneous .....	54
Bad debts, collected or written off.....	
Expenses Elsewhere Unprovided for.....	
Additions to Surplus.....	
Deductions from Surplus.....	

**REGULATIONS ISSUED BY THE PUBLIC SERVICE  
COMMISSION OF MARYLAND, PRESCRIBING A  
UNIFORM SYSTEM OF ACCOUNTS FOR WATER  
COMPANIES.**

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**Issued under order of the Commission of June 19, 1911.**

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1. On and after July 1, 1911, every water company engaged in the collecting, selling and distributing water, and every water company not engaged in operation, shall keep upon its books the accounts prescribed or defined in "Schedule A" so far as the said accounts are pertinent to the facts and circumstances of the said company. The term water company is used herein in the sense defined in the Public Service Commission Law.

2. On and after the date of service of this order on any such water company, such company shall not charge to any account representing cost of property any discount or commission on securities issued by the said company, but shall charge all such discounts, commissions, and other expense connected with the issue of securities subsequent to the said date of service, in accordance with the directions contained in the definitions of the account named "Organization," and the account named "Unextinguished Discount on Securities," in the said "Schedule A."

3. On and after July 1, 1911, every such water company shall keep upon its books the account prescribed or defined in the schedule marked "Schedule B," so far as the same are pertinent to the facts and circumstances of the said company.

4. During the year beginning July 1, 1911 any said company may for purposes of comparison with prior years keep on its books any accounts pertaining to revenues, revenue deductions, income deductions, and appropriations (as defined in the said "Schedule B") which it had on its books during the year beginning July 1, 1910; provided that on or before June 30, 1911, there be filed with the Public Service Commission a statement containing a list of the said accounts pertaining to the year begun July 1, 1910, and definitions of such accounts.

5. For purposes of improving the efficiency of administration and operation, any corporation may, unless or until other-

wise ordered, keep upon its books any temporary or experimental accounts and any accounts covering particular divisions of its operations, but no change shall be made in the accounts prescribed in either "Schedule A" or "Schedule B" or the subdivisions thereof without the assent of the Public Service Commission being first obtained.

6. All notices herein required to be filed covering accounts shall be upon sheets 8½ inches by 11 inches in size, and shall be entitled in the name of the company filing said notices, followed by a brief statement of the character of the accounts covered by the notice.

#### SCHEDULE A.

##### BALANCE SHEET OR INDICANT ACCOUNTS.

##### WATER COMPANIES DEFINED.

Section 1 of the Public Service Commission Law defines a *Water Company* as follows:

The term "Water Company" when used in this Act, includes every corporation, company, association, joint stock company or association, partnership and person, their lessees, trustees or receivers, appointed by any Court whatsoever, owning, operating, managing or controlling any plant or property, dam or water supply, canal, or power station, distributing or selling for distribution, or selling or supplying for gain any water.

##### ACCOUNTS TO BE KEPT BY DOUBLE-ENTRY METHOD.

All accounts kept by any corporation or person within the scope of the present order shall on and after June 30, 1911, be kept by the *double-entry method*.

NOTE—This requirement is not intended to apply to purely statistical accounts.



## CAPITAL ACCOUNTS.

By *Capital* as herein used, is meant all property of a corporation devoted to the rendering of the services or the production of the commodities which are within the purposes of the corporation.

## FIXED CAPITAL.

*Fixed Capital* is capital which has an expectation of life in service of more than one year (exception being made of hand and other small portable tools liable to be lost or stolen).

Fixed Capital is divisible into :

(a) *Original Capital.*

That put into service at the outset of an enterprise.

(b) *Additions.*

Such additional structures, facilities or equipment as do not take the place of anything previously existing.

(c) *Betterments.*

The enlargement or improvement of existing structures, facilities and equipment.

(d) *Renewals.*

All extensions of terms of years in land and tangible fixed capital and all extensions of the life period of franchises and other intangible fixed capital.

(e) *Replacements.*

All substitutions for capital exhausted or become inadequate in service, the substitutes having practically no greater capacity than the things for which they were substituted.

When through wear and tear or through casualty it becomes necessary to replace some *part* of any structure, facility or unit of equipment and the *extent of such replacement does not*

*amount to a substantial change of identity* in such structure, facility or unit of equipment, the replacement is to be considered a repair and the cost of such repair is to be treated as an operating expense and must not be charged as a replacement in any capital account.

*Fixed Capital* is also divided into landed capital and non-landed capital. *Landed Capital* includes all interests in land (exclusive of improvements thereon) the term of which is more than one year. All other fixed capital is herein called *Non-Landed Capital*.

*Intangible and Tangible Capital Defined.* Non-landed capital is divisible into intangible and tangible. *Intangible Capital* comprises organization, franchises, patent rights, and all other intangible property within the definition of fixed non-landed capital as above stated. *Tangible Capital* comprises structures and equipment having an expectation of life in service of more than one year. Because of their liability to loss or theft, hand and other small portable tools are expected from tangible capital, and the cost of such tools is required to be treated as a part of the operating expenses. Hand and other small portable tools when first acquired and before issued for use may be charged to the "Materials and Supplies" account, and when issued charged to the appropriate expense account and the account "Materials and Supplies" credited with same.

## FLOATING CAPITAL.

Capital other than fixed capital is called *Floating Capital*.

## PLANT, EQUIPMENT AND OTHER CAPITAL PURCHASED.

When any fixed capital in the form of a going or completed plant is purchased, an appraisal of such capital so acquired shall be made, and the different constituent elements of the plant, equipment or other capital acquired shall be appraised at their then structural value; that is to say, at the estimated

cost of replacement or reproduction less a proper allowance for depreciation based upon the length of time the plant has been in service and for such part of the plant as may be obsolete or inadequate for economical use.

If the actual money value of the consideration given for the plant or other capital was, at the time of acquisition, in excess of such appraised value, the excess shall be charged to the account "Other Intangible Water Capital" and the appraised values of the constituent parts shall be charged to the appropriate accounts as designated in the following definitions of accounts for fixed capital.

If the actual money value of the consideration given was not in excess of such appraised value, such money value shall be distributed through the said accounts in proportion to the said appraised value of the constituent parts appropriated to the respective accounts. Full report of the contract of acquisition, the consideration given therefor, the determination of the actual money value of such consideration, the appraisal and the amounts charged to the respective accounts for each plant or other such fixed capital purchased, will be required to be made to the Public Service Commission.

## COST OF NEW CAPITAL

All charges made to capital or other accounts on or after July 1, 1911, shall be the actual money cost of the things in respect of which they are made. When the consideration actually given for the thing in respect of which a charge to a capital account is made is anything other than money, the actual consideration shall be described in the entry with sufficient fullness and particularity to identify it, and the amount charged shall be the actual money value of such consideration at the time of the transaction.

## COST OF LABOR, MATERIALS AND SUPPLIES.

Cost of *labor* (employed in construction) includes not only wages, salaries and fees paid employes, but also such personal expenses of employes as are borne by the corporation.

Cost of *materials and supplies* consumed in construction is the cost at the place where they enter into construction, including cost of transportation and inspection when specifically assignable.

## DISCOUNT ON SECURITIES.

Discount upon securities or commercial paper issued in payment for capital are to be provided for in other accounts and must in no case be charged to capital accounts.

## WITHDRAWALS OR RETIREMENTS.

When any thing is withdrawn or retired from service, the amount at which such thing stood charged in the capital account shall be credited to the capital account in which it stood charged at the time of withdrawal, and the entry of such credit shall give by name and page of book or other record the original entry of cost of the thing withdrawn. If there is no such original entry, that fact shall be stated in connection with the credit entry. If such amount is not known, it shall be estimated, the facts upon which the estimate is based shall be shown and the amount thus estimated to be the original charge in respect of such thing withdrawn shall be credited.

## PARTICULARS REQUIRED TO BE SHOWN IN ENTRIES.

Every charge made to a capital account on and after July 1, 1911, shall show whether the thing in respect to which the charge is made is original capital, or in addition, a betterment, a renewal or a replacement. If the thing is a betterment, re-

newal or replacement the entry shall designate the thing enlarged, improved, renewed or replaced and shall state by name and page of book or other record of entry the original cost of such thing enlarged, improved, renewed or replaced. If there is no entry in the accounts showing the cost (to the corporation) of such thing bettered, renewed or replaced that fact shall be stated in the entry, and the cost shall be estimated, if not known, and when estimated the basis of such estimate shall be shown.

If any betterment involves the partial destruction or partial reconstruction of the thing bettered, only such portion of the cost of the change shall be charged as a betterment as will when added to the original cost (estimated if not known) of the thing bettered give the cost of reconstruction or replacement of the thing as bettered, and the remainder of the cost of change (account being taken of any salvage) shall be charged to the appropriate repair account.

*First entries* to all capital accounts in respect of any particular thing shall describe it with such particularity as to enable its identification and shall give it a distinguishing name, number, or other designation by which it shall thereafter be designated in every entry in any capital account which in any way concerns it.

In the following definitions of accounts the numbers prefixed to the titles are inserted solely for convenience of reference and are no part of the titles or definitions.

## DEFINITIONS OF FIXED CAPITAL ACCOUNTS.

### 1—FIXED CAPITAL JUNE 30, 1911.

Charge to this account all the Fixed Capital (that is, the total cost of all land, plant, equipment, apparatus, etc., other than materials and supplies, hand and other small tools) of the accounting person or corporation as such capital stood at the close of June 30, 1911. Such charges shall be made at the figures at which such capital was carried on the books of the said person or corporation on that date. When any capital

included in such account is retired from service, the amount at which it is charged therein shall be credited to this account, and the amount originally charged to capital, less any salvage that may occur, shall be concurrently charged to the account "Reserve for Depreciation" (or equivalent account carried on the books on June 30, 1911), unless there was carried on the books at that date a reserve to cover retirements of capital from service, in which case the said concurrent charge shall be made to such retirement account. If the amount at which said capital in service on June 20, 1911 (and subsequently retired from service), was included in the said account is not disclosed on the books and records of the accounting person or corporation and is not within the knowledge of such person or corporation or officers or other employes thereof, it shall be estimated and such estimated amount shall be treated as is above directed for the actual amount, the fact of estimation being stated in the entry.

The following capital accounts are prescribed for transactions subsequent to June 30, 1911:

## 11—ORGANIZATION.

Charge to this account the cost of effecting organization and such capital exploit expenses as may be properly connected therewith.

This includes cost of preparing and distributing prospectuses, cost of soliciting subscriptions for stock (but not for loans nor for the purchase of bonds or other evidences of indebtedness) cash fees paid to promoters and the actual cash value at the time of organization of securities paid to promoters for their services in organizing the enterprise, counsel fees, cost of preparing and issuing certificates of stock and cost of procuring certificates of necessity from state authorities and other like costs.

This account shall not include any discounts upon stocks or other securities issued, nor shall it include any cost incident to negotiating loans or selling bonds or other evidences of indebtedness.



## 12—ROYALTIES, FRANCHISES AND LICENSES.

Charge to this account the cost of royalties or licenses paid to licensors, and payments to city, town or state (exclusive of taxes) for franchises. If any such franchise has a life of *not more than one year after the date when it is placed in service*, it shall not be charged to this account but to the appropriate accounts in "Operating Expenses," and in "Prepayments" if extending beyond the fiscal year.

### *Water Supply Collecting System Properties.*

In cases of companies obtaining water from points remote from the city, the collection system is to be considered as including all water system fixtures, appliances and structures utilized in collecting water and for conveying it from the place of its collection to the purification or pumping system, or if a purely gravity system, then to a point in or out of the city at which the company begins to distribute water to customers. In the case of companies obtaining water from a source located in or near the city, or near to private customers, the collecting system is here considered as including all water supply fixtures, appliances and structures connecting the sources of supply with the purification works or pumping works, whichever may be situated nearest the source of supply. In both cases the collecting system is here considered as including all land upon which the structures, appliances and fixtures mentioned are located, or the right of easement in such land; the cost of all water diversion rights (as distinguished from water power rights) in perpetuity or terminable; and the cost of all buildings and other improvements upon such land, and the cost of all operating equipment used in conjunction therewith.

## 13—WATER COLLECTING SYSTEM.

Charge to this account the cost of all land, structures and equipment appurtenant to the collecting of the company, as described above.

This account may, if the accounting company desires, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

1. *Water Diversion Rights.*

This includes the cost of all water diversion rights (as distinguished from water power rights), meaning thereby the cost of acquiring from riparian land owners the right to divert for supply purposes the waters of any stream, and from neighboring land owners the right to draw from ground water sources of supply; also compensation and costs in connection therewith paid for abating, modifying or abandoning causes of allowable pollution of streams and ground waters used for supply; whether such rights are acquired or compensated for in perpetuity or for a definite term of more than one year.

2. *Resolutions.*

This includes the cost of all land for reservations along sources of supply, and also the cost of all completed buildings erected thereon and in connection therewith, as well as all equipment, etc.

3. *Impounding Dams and Reservoirs.*

This includes the cost of the land and all completed structures thereon used for impounding water for supply purposes at the sources of supply.

4. *Lake and River Cribbs.*

This includes the cost of all land, including lake or river bed, and all completed structures thereon used for collecting waters for supplying purposes.

5. *Springs and Wells.*

This includes the cost of all land and all completed structures thereon, used for collecting water from springs and of the wells for obtaining ground waters, including the curbing or casing of wells, but not including any equipment for pumping water at wells.

6. *Infiltration Galleries and Tunnels.*

This includes the cost of the land and rights of way, and all completed structures thereon and therein, used for collecting waters.

7. *Collecting Conduits and Reservoirs.*

This includes the cost of the land and rights of way and all completed structures thereon and therein, used for collecting waters from various sources and storing in reservoirs ready for purification, pumping or distributing, or for conveying to the purification or pumping plant, or the distribution system (if a purely gravity system).

8. *Gravity Intakes and Suction Mains.*

This includes the cost of all land and rights of way and all completed structures thereon and therein, used for bringing water, by gravity or suction, from the source of supply to the purification or pumping plant.

9. *Aqueducts and Supply Mains.*

This includes the cost of all land and rights of way and all completed structures thereon and therein used for bringing water by aqueducts or supply mains, from the source of supply to the purification or pumping plant, or to the distribution system (if a purely gravity system).

## PURIFICATION SYSTEM PROPERTIES.

The purification system includes all property and equipment utilized for or in connection with the purification of water, in conveying water from one part of the purification system to another, including steam or other power plant and pumping equipment when such power plant and pumping plant is used in connection with the delivery of wash water for filter or sand washing, but not including any steam or other power plant and pumping equipment which is used for pumping the water supply from one part of the purification works to another.

## 14—PURIFICATION SYSTEM.

Charge to this account the cost of all land, structures and equipment appurtenant to the purification system of the company, as described above.

This account may, if the accounting company desires, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

1. *Settling Basins.*

This includes the cost of the land and all completed structures thereon for the sedimentation of water coagulation whether such sedimentation is preliminary to supply or as a preliminary step in conjunction with the further purification of water by some additional process; also the valves and connections with the succeeding step in the purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

2. *Coagulating Basins.*

This includes the cost of the land and all completed structures thereon used for the coagulation of water, whether such coagulation is preliminary to supply or as a step in conjunction

with the further purification by some additional process, or whether used as a step in purification following sedimentation; also the cost of equipment, such as coagulant mixing and storage tanks, orifice boxes and feeder equipment, valves and connections with the succeeding step in the process or the mains or other means of conveyance to the pumping plant or distribution system (if a purely gravity system), appliances for cleaning out basins, etc.

### 3. *Softening and Iron Removal Plant.*

This includes the cost of the land and all completed structures thereon used for the process of water softening and iron removal; also all equipment and appliances connected with and forming a part of the softening or iron removal plant including all connections with the succeeding step in the purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system), appliances for cleaning out basins, etc.

### 4. *Filters.*

This includes the cost of the land and all completed structures thereon used for filtration purposes, whether such filters be "roughing filters," "slow sand filters," or "mechanical" filters; also all equipment and appliances forming a part of such filters, cleaning and sand washing equipment, etc., and all connections with the succeeding step in the entire purification process or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system), mechanical and air agitation equipment together with the power plant therefor.

### 5. *Ozone Sterilizing and Aeration Plant.*

This includes the cost of the land and all completed structures thereon used for the process of water purification or treatment by the ozone sterilizing or aeration process, includ-

ing all equipment or appliances connected or forming a part of the plant, and all connections with the succeeding step in the purification process, or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

#### 6. *Chemical Treatment Plant.*

This includes the cost of the land and all completed structures thereon used for the chemical treatment of water, whether such treatment is preliminary or subsequent to some further or preceding process of purification or treatment of water by some additional process or whether such chemical treatment is the sole method of treatment of the water supply.

Included here are all buildings, equipment and appliances such as mixing tanks and gravity or pump feed apparatus, basins, if any, and all connections with the next step in the purification process, or the mains or other means of conveyance to the pumping plant or the distribution system (if a purely gravity system).

#### 7. *Clear Water Basins.*

This account is provided only for use of companies which employ some system or method of purification and to it should be charged the cost of the land and all completed structures thereon used for the storing of water either in process of purification as an intermediate step in the purification system, or as the final storage of purified water ready for delivery to the pumping plant or the distribution system (if a purely gravity plant). This account includes also the cost of equipment and appliances and connections from the clear water basins to the suction or wet wells for pumping or to the pumps direct, or to the supply or suction main or other means of conveyance to the pumping plant or distribution system.



*Pumping System Properties.*

## 15—PUMPING STATIONS.

Charge to this account the cost of all land and of all completed buildings and fixtures used for the pumping of water, including outbuildings, tools houses, shops, etc., and all appurtenant walks, fences, drives, and all permanently attached fixtures forming a part thereof.

## 16—PUMPING PLANT.

Charge to this account the cost of all plant and equipment used for the pumping of water, *but not including the buildings* and other properties properly chargeable to account No. 15.

This account may, if the accounting company desires, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

1. *Steam Power Pumping Plant.*

This includes the cost of all steam plant and equipment, and the accessory equipment such as boilers and their settings, stacks and their foundations, fuel and ash handling and storage equipment, super-heaters, economizers, damper regulators and all piping, etc., and other appliances.

2. *Hydraulic Power Pumping Plant.*

This includes the cost of all land other than that occupied by the pumping station and buildings, together with the cost of all water power rights (as distinguished from water supply diversion rights) and the cost of all structures provided exclusively for the development of hydraulic power such as dams, headgates, canals, flumes, relief structures, and appurtenant power generating equipment such as water wheels with control

equipment and power transmission equipment from water wheels to pumps and also pumps and pumping equipment, etc.

### 3. *Electric Power Pumping Plant.*

This includes the cost of all equipment used for pumping water by electric power, whether such power is purchased or generated by the company itself, also the pumps and pumping equipment and all appurtenant equipment and appliances.

### 4. *Gas Power Pumping Plant.*

This includes the cost of all equipment used for pumping water by gas power, whether such power is obtained from purchased gas, or from producer gas plant. Included here are the cost of gas producer plants and apparatus, gas storage and transmission equipment, gas engines, pumps and pumping equipment, etc.

### 5. *Miscellaneous Pumping Plant Equipment.*

This includes the cost of all equipment, apparatus and appliances used in connection with the pumping plant but not properly includible in any of the preceding sub-accounts.

### *Distribution System Properties.*

## 17—TRANSMISSION MAINS.

The transmission mains applies only in the case of water works operating pumping stations (in the case of gravity systems these mains would come under the designation of supply or distribution mains), and are understood to be those mains which convey water for long distances without having any connections thereto for service therefrom, from the pumping station to the distributing storage reservoir or the distributing system mains.

Charge to this account the cost of land and rights of way, and all main pipes and special castings, valves and valve vaults and boxes, regulating and other equipment and appliances and all buildings and other structures used in connection therewith.

#### 18—STORAGE RESERVOIRS, TANKS AND STANDPIPES.

Charge to this account the cost of all land, reservoirs, tanks and standpipes with the appurtenant buildings, structures and equipment connected therewith, used for the storage of water preliminary to its distribution for consumption.

#### 19—DISTRIBUTION MAINS.

Charge to this account the cost of all land and rights of way for main pipe lines and the cost of all main pipes and special castings used for distribution of water to customers. (Data as to the length of pipe of each diameter and the date of their installation should be carefully kept.) Also the cost of all gate valves in the distribution mains, together with the boxes over such valves, and the cost of installing the valves and boxes. Also the cost of all special fixtures and appliances connected to the main pipes together with the cost of installing same, such as regulating valves, air chambers, relief valves, blow-off cocks, flush plugs, etc.

#### 20—DISTRIBUTION MAINS, EXTENSIONS AND IMPROVEMENT.

This account is intended to show the total cost of labor and material of all new mains laid and the cost of laying new street mains to replace old mains.

In case new mains are laid charge this account with the cost of all labor and material, including cartage, city permits, trenching, paving, etc.

In case of old mains replaced by mains of larger size, charge this account and credit account No. 19 "Distribution Mains" with the original cost of old mains when laid, less present value of material recovered and taken into storeroom. If original cost cannot be arrived at, use estimated cost based upon present cost of laying same size pipe.

In case of old main abandoned and left in the ground, charge "Reserve for Accrued Depreciation" and credit account No. 19 "Distribution Mains" with the original cost of the old main when laid. If original cost cannot be arrived at, use estimated cost based upon present cost of laying same size pipe.

NOTE—Debits to this account and to "Reserve for Accrued Depreciation" for mains abandoned must be analyzed in the report to the Public Service Commission.

## 21—SERVICE PIPES AND STOPS.

Charge to this account the cost of material and labor including all other costs and charges incurred in connection therewith; such as permits, fees, etc., accruing in the installation of service pipes and stops from main pipes to the customers' premises, when it is the policy of the company that such costs shall be capitalized, and when costs of the services so installed are not borne by the customer, although the company may have full control over the same.

## 22—METERS, METER BOXES AND VAULTS.

Charge to this account the cost of all meters, meter boxes and meter vaults, together with the cost of their installation which are furnished on customers' service connections without charge to the company.

## 23—FIRE HYDRANTS AND FIRE CISTERNS.

Charge to this account the cost of all hydrants and fire cisterns together with the cost of pipe, valves, etc., connecting same with distribution main pipes, and the cost of installing same.

## 24—FOUNTAINS, TROUGHS AND OTHER EQUIPMENT.

Charge to this account the cost of all fountains, troughs and other equipment and appliances for the utilization of the water supply by the general public, together with the cost of their connection and installation, which are installed at the cost of and are owned by the company.

## 25—STABLE AND SHOP PROPERTIES.

Charge to this account the costs of land and buildings used for stables and shops, also;

(a) The cost of horses and mules, wagons, harness, etc., automobiles, motorcycles and bicycles, etc., and all equipment provided for hauling materials, etc.

(b) The cost of all machinery, machine tools, hand tools of a permanent character and other appliances used for or in connection with the operations of a general shop, and also such general tools and appliances as meter testers, testing pitometers, and all tools and appliances having a life of more than one year.

## 26—GENERAL PROPERTIES.

Charge to this account the cost of all land and buildings provided for general offices, laboratories, store room yards, etc., which are not includible in any of the foregoing accounts.

## 27—FURNITURE AND FIXTURES.

Charge to this account the cost of all desks, tables, chairs, carpets, cases, movable partitions, railings, shelving, typewriters, adding machines, addressographs, and other office devices, stoves, portable gas and electric fixtures and other fittings, etc., provided for use in the office of the company.

## 28—RENTAL REAL PROPERTIES.

Charge to this account the cost of land and the improvements thereon which are held and utilized solely or principally for the rents to be obtained therefrom, and which do not constitute any part of the water supply or service properties.

## 29—MISCELLANEOUS TANGIBLE PROPERTIES.

Charge to this account the cost of all tangible general properties, not properly includible in any of the foregoing accounts.

## 30—MISCELLANEOUS INTANGIBLE CAPITAL.

Charge to this account the cost of all other property coming within the definition of intangible capital and devoted to water service operations. All entries of charges to this account shall describe the acquired property with sufficient particularity clearly to identify it, and shall show specifically the principal from whom acquired and all agents representing such principal in the transaction; also the term of life of such property, estimated if not known, and if estimated, the facts upon which the estimate is based.

## DEFINITIONS OF FLOATING CAPITAL ACCOUNTS.

Floating Capital is divided into two groups, of which the first is herein called *Current Assets* and the second *Materials and Supplies*.

In the following definitions the figures prefixed to the titles of the accounts are no part of the titles and are inserted merely for convenience of reference:

## 101—CASH.

Charge to this account all money coming into the possession of the corporation and in which the corporation has the bene-



ficial interest. This includes coin of the United States, United States treasury notes, gold and silver certificates and greenbacks, and bank bills payable to bearer. Also charge to it all bank credits, checks and drafts receivable, subject to satisfaction or transfer upon demand (whether payable to bearer or to order). Credit this account with all cash disbursements of the corporation.

### 102—BILLS RECEIVABLE.

Charge to this account the cost of all bills receivable (except as below provided) which are the property of the corporation and upon which solvent concerns are liable or which are sufficiently secured to be considered good. This account includes demand notes, drafts, etc., issued by others than banks, and time notes, drafts, etc., by whomever issued. This account does not include investments (for which see below); nor does it include interest coupons.

### 103—ACCOUNTS RECEIVABLE.

Charge to this account all amounts owing to the corporation on open book accounts against solvent corporations, firms and individuals. This includes current accounts against customers who are still receiving water service, amounts due from customers whose service has been discontinued and whose accounts are in process of collection in the usual way, amounts due from employes and agents authorized to make collections from customers and representing funds that they have actually collected, for which the customer has received credit, but which are not yet included in the funds carried in "Cash;" also all judgments against solvent concerns where judgment is not appealable or suspended through appeal.

## 104—OTHER CURRENT ASSETS.

Charge to this account the cost of all current assets of the corporation which are not includible under any of the last three foregoing accounts. By current assets are meant only those things which are readily convertible into money and which are held with the intent of being presently converted into money and not as investments.

## 105—MATERIALS AND SUPPLIES.

Charge to this account the cost (including transportation) of all materials and supplies which are not debited, on receipt, directly to the construction or operating expense account for which they are purchased, regardless of whether the same are intended to be consumed in construction or in operation, or later to be sold.

Where discounts recovered through prompt payment are not credited to the particular bills, the cost at which such materials and supplies shall be charged shall be the invoice price and any discounts later recovered through prompt payment for such bills and supplies shall be credited to this account.

When any materials or supplies, the cost of which has been charged to this account, are issued for use, the cost of the same shall be credited to "Materials and Supplies" and debited to the proper construction or operating expense account.

Inventories of materials and supplies shall be taken at least annually, and any shortage or overages disclosed by such inventories shall be credited or debited to this account and debited or credited to the operating expense accounts No. 431 "Inventory Adjustments," in case they cannot be assigned to specific accounts.

## 106—INVESTMENTS

By *Investments*, as here used, are meant all properties acquire not for use in present operations, but as a means of

obtaining or exercising control over other corporations, or for income to be derived from them, or for a rise in value, or for devotion to future operations at a time when it seems probable that they cannot be so advantageously acquired as at the time of actual acquisition. The cost of the corporation's title to any property held as an investment for other than the Sinking Funds shall be charged to an account entitled "Investments."

#### 107—SINKING FUNDS, INVESTED.

To this account should be charged the cost of live securities in the hands of trustees for the purpose of redeeming outstanding obligations; also amounts deposited with such trustees on account of mortgaged property sold. This should not include any reacquired securities issued by the respondent.

#### 108—SINKING FUNDS, UNINVESTED.

To this account should be charged the amount of cash set aside for investment for the Sinking Funds.

#### 109—SPECIAL DEPOSITS.

By *Special Deposits*, as here used, are meant amounts of money and bank credits in the hands of fiscal or other agents of the corporation for the payment of coupons, dividends or other *special* purposes.

Charges to this account shall specify the purpose for which the deposit is made. When such purposes are satisfied this account shall be credited with the amount specially deposited to provide such satisfaction.

#### 110—PREPAYMENTS.

When prepayments for taxes, insurance, rents and the like are made in advance of the actual accrual thereof, the amount of the advance payment shall be charged to this account. As

such taxes, etc., accrue this account shall be credited and the appropriate expense or income account be charged.

When prepayments are made for any other thing than taxes, insurance and rents, etc., such prepayments shall be charged to this account; and as the purpose of prepayment is satisfied, proportionate amounts shall be credited monthly to this account and charged to the appropriate expense or income account.

NOTE—By the accrual of taxes, insurance, rents, etc., is meant their accumulation when considered as spread uniformly over the period to which they apply. Thus, if the rent fixed by contract of lease for a certain property is \$600 for a calendar year, this accrues at the rate of \$50 each month, regardless of the actual times when the rent matures; \$50 should thus (if the rent has been prepaid) be credited each month to this account and concurrently charged to the appropriate expense account. Similarly in the case of other prepayments.

#### 111—UNEXTINGUISHED DISCOUNT ON SECURITIES.

When capital stocks, funded debt securities and other evidences of indebtedness are disposed of for a consideration whose cash value is less than the sum of the par value of the securities or other evidences of indebtedness and of the interest thereon accrued at the time the transfer takes place, the excess of such sum of the par value and accrued interest over the cash value of the consideration received shall be charged to this account.

To this account shall also be charged all expense connected with the issue and sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for recording mortgages and trust deeds, cost of engraving and printing bonds, certificates of indebtedness and other commercial paper having a life of more than one year, fees paid trustees provided for in mortgages and trust deeds, fees and commissions paid underwriters and brokers for marketing such evidences of debt and other like expense. At or before the close of each fiscal period thereafter, a proportion of such discount and expense based upon the life of the security to maturity shall be credited

to this account and charged to account No. 501 "Extinguishment of Discount on Securities." Such discount and expense may, if desired, be extinguished more rapidly through charges of all or any part of it, either at the time of issue or later, to the Surplus account.

## 112—SUSPENSE.

To this account shall be made all debits not elsewhere provided for and the final disposition of which is uncertain. This will include all such matters as expense of preliminary surveys, plans, investigations, etc., made for determining the feasibility of projects under contemplation.

Should any such project later be carried to completion, such amounts shall be credited to this account and charged to the proper capital or expense account. Should it be abandoned such amounts shall be charged to "Miscellaneous Non-Operating Expense" account.

## DEBT DEFINED.

The word *debt*, as here used, covers all absolute obligations to pay money at a definite time or times, or at a time or times which are capable of being made definite by demand or other act of the creditor. It does not cover contingent obligations, such as obligations to pay rent for future enjoyment of the term, liabilities of indorsers upon paper not yet defaulted, etc.

Debt is divided into *Funded Debt* and *Unfunded Debt*.

## 200—FUNDED DEBT.

*Funded Debt* comprises all debt which by the terms of its creation does not mature until *more than one year* after date of creation.

Funded Debt is classified as:

(a) *Real Estate Mortgage Bonds.*

Those secured by a pledge of real estate through mortgage or trust deed, or equivalent instrument or act. Such mortgage may also include equipment, securities and other chattels.

(b) *Collateral Trust Bonds.*

Those secured by a pledge of securities or other commercial paper through trust deed or equivalent instrument or act, but *not* covering real estate or equipment.

(c) *Equipment Trust Obligations.*

Those secured by a lien upon equipment, such lien being created in connection with the acquisition of the equipment.

(d) *Plain Bonds.*

Those not secured by any special mortgage or other lien, but supported only by the general credit of the issuer.

(e) *Debentures.*

Unsecured certificates of indebtedness.

Debentures *with mortgage rights* are those entitled, in accordance with the terms of the contract under which they are issued, to participate in the benefits of any subsequently created mortgages. If debentures run in perpetuity, subject to an annual interest charge, they are called debenture stock.

(f) *Income Bonds.*

Those upon which the obligation to pay interest is contingent upon the income of the corporation not required for the discharge of superior obligations.



*(g) Miscellaneous.*

Including real estate mortgages, pledging specified real estate to secure payment of a debt not evidenced by a note, bond or other negotiable paper; and chattel mortgages, pledging specified chattels to secure the payment of a debt not evidenced by a note, bond or other negotiable paper. Also promissory notes, running for more than one year from the date thereof, not secured by mortgage or other lien.

*Unfunded Debt.*

The accounts for unfunded debt are defined as follows:

**201—TAXES ACCRUED.**

Credit to this account at close of each month the taxes accrued during the month, and make corresponding charges to the "Taxes" account. Credits to the account "Taxes Accrued" will necessarily be based upon estimate until the amount of tax levied for the tax period is known; such estimate shall be based upon the best data available and as soon as the amount of tax for the period is known the account shall be adjusted to conform. When any tax is paid it shall be charged to this account and credited to "Cash" or other suitable account.

**202—INTEREST ACCRUED ON FUNDED DEBT.**

Credit to this account as it accrues and becomes payable the interest accrued on the funded debt of the corporation and charge same to the account No. 439 "Interest on Funded Debt." When such interest is paid it shall be charged to this account and credited to "Cash" or other suitable account.

**203—INTEREST ACCRUED ON UNFUNDED DEBT.**

Credit to this account, at the close of the year, all accrued interest on the unfunded debt of the corporation and charge

same to the account No. 440 "Interest on Unfunded Debt." This does not include any interest on judgments, nor that on receiver's certificates. The interest accruing on any judgments against the corporation or upon any receiver's certificate shall be credited to the account to which such judgment or receiver's certificate stands credited and charged to the account No. 440 "Interest on Unfunded Debt."

#### 204—JUDGMENTS UNPAID.

When any judgment of indebtedness is rendered by a Court of competent jurisdiction against the corporation, or any fine or penalty requiring the payment of money is assessed by such a court against the corporation, and no appeal accompanied by stay of execution has been taken therefrom within the time allowed by law for such appeal, the amount of such judgment shall be credited to this account, and the entry shall designate the action or suit as a consequence of which such judgment is pronounced or such fine or penalty assessed. The designation of the action or suit shall show the court, the term thereof, the parties and the character of the action or suit. Interest accruing upon any such judgment shall be credited to this account and charged to the account No. 440, "Interest on Unfunded Debt."

#### 205—RECEIVER'S CERTIFICATES.

When any receiver acting under the orders of a competent Court is in possession of the property of the corporation and under the orders of such court issues certificates of indebtedness chargeable upon such property, the par value of such certificates shall be credited to this account. Interest accruing upon such certificates shall also be credited to this account and charged to the account No. 440, "Interest on Unfunded Debt."

## 206—BILLS PAYABLE.

When any note, draft or other bill payable which matures not later than one year after date of issue, or of demand, or assumption by the corporation of primary liability thereon, is issued or assumed, the par value thereof shall be credited to this account and when it is paid it shall be charged to this account and credited to "Cash" or other suitable account.

## 207—CUSTOMERS' DEPOSITS.

Credit to this account, as such deposits are made, all cash deposited with the corporation as security for the payment of water bills. Deposits refunded shall be charged to this account and credited to "Cash." Deposits applicable to uncollectible or worthless water bills shall, at the close of the fiscal year (or earlier, at the option of the accounting corporation) be credited to the account of the customer involved and debited to this account.

## 208—ACCOUNTS PAYABLE.

Credit to this account when incurred all liabilities of the corporation upon open accounts, except those provided for in the foregoing account "Customers' Deposits." This shall include at the close of the fiscal year all unpaid bills for apparatus, materials and supplies, not previously credited, and also all salaries and wages due and unpaid.

## 209—UNEARNED REVENUE.

This account should represent revenue that has been charged and billed to customers, but is not earned at the close of the fiscal year. When customers have been charged and billed in advance for service and the amount of such bills has been credited to a revenue account and charged to "Accounts Receivable" an adjustment should be made, at the close of the

fiscal year. "Unearned Revenue" should be credited and correction entries made in the "Accounts Receivable" and in the revenue account to which such bills have been credited.

#### 210—DIVIDENDS PAYABLE.

When any dividend is declared it shall be credited to this account and here remain until it is paid, when it shall be charged to this account and credited to "Cash" or other suitable account.

#### 211—OTHER UNFUNDED DEBT.

Credit to this account at face value all unfunded debt upon which the corporation is liable and which is not elsewhere provided for.

#### RESERVES.

Reserves shall be classified at *Contractual* and *Optional*. *Contractual Reserves* are reserves necessitated by contracts of the corporation as e. g. reserves to cover sinking funds provided for in mortgages. *Optional Reserves* are such temporary reserves as are created solely within the discretion of the corporation.

#### 212—SINKING FUND RESERVES.

Credit to this account all appropriations and accumulations made in accordance with the contract provisions provided for in mortgages, etc., or which shall be required by action of the corporation.

#### 213—RESERVE FOR ACCRUED DEPRECIATION.

Credit to this account such amounts as are charged from time to time to "Depreciation" or other accounts to cover de-

preciation of plant and equipment. When any capital is retired from service the original money cost thereof (estimated if not known, and when estimated, that fact and the fact upon which the estimate is based shall be stated in the entry), less salvage shall be charged to this account; the amount originally entered or contained in the charges to any capital account in respect of such capital so going out of service shall be credited to such a capital account, and any necessary adjusting entry made to the appropriate sub-contract under the account "Corporate Surplus or Deficit."

#### 214—OPTIONAL RESERVES.

When any admitted liability arises because of loss or damage to the property of others, or of injuries to employees or other persons, the amount of the liability may (if not previously provided for by insurance or self-insurance) be charged to the appropriate expense or other accounts and credited to this account, against which (in such case) the actual cost of satisfaction of the liability shall be charged when the matter is determined. If the extent of the liability cannot be ascertained promptly after the liability arises, it may be estimated as accurately as practicable for the purpose of determining the immediate charge to the expense or other appropriate account, in which case the matter shall be adjusted when the extent of the liability is definitely ascertained. If the loss is of such character that it is in whole or in part indemnifiable under any contract of insurance carried by the corporation, the indemnifiable portion of the loss shall be charged to the insurer and credited to "Optional Reserve."

When any amount is set aside for any special reserve not provided for heretofore, a sub-account shall be made for each particular reserve and its title shall designate the purpose of such reserve, and the first entry therein shall express in full such purpose.

## 215—PREMIUMS ON CAPITAL STOCK.

When any capital stocks are disposed of for a consideration whose cash value is greater than the sum of the par value of such stocks, the excess of the cash value of such consideration over the sum of the par value of the stocks shall be credited to this account. At the close of each fiscal year a proportion of such premium based upon the life of the stock shall be charged to this account and credited in the "Revenue" account; or at the option of the corporation such premium may be extinguished more rapidly through credits of all or any part thereof, either at the time of issue or later, to the "Corporate Surplus or Deficit" account.

## 216—CAPITAL STOCK.

By *stocks* of a corporation are meant those securities which represent permanent interests in the corporation of interests which, if terminal, are so only at the option of the corporation.

Stock are classified as *common* stocks and *preferred* stocks.

## A. 216—COMMON STOCKS.

*Common* stocks are those whose claims in the distribution of dividends are subordinate to the claims of all other stocks.

## B. 216—PREFERRED STOCKS.

*Preferred* stocks are those which have the first claim upon such dividends as may be distributed. They may be cumulative or non-cumulative, participating or non-participating.

If *cumulative*, the amount by which the dividend, at any dividend period fails to reach the stipulated rate, is carried forward to continue as a claim upon dividends until satisfied; if *non-cumulative*, such amount lapses.

If a preferred stock is *participating*, it is not limited to the stipulated rate in the amount of dividends which it may

receive, but is entitled to participate, in accordance with the terms of the contract under which it is issued, in further dividends; if *non-participating*, it is limited to the stipulated rate.

A separate account shall be kept for each class of stocks issued, and no two stocks shall be considered of the same class unless they are equal in their interest or dividend rights, their voting rights and the conditions under which they may be retired. The characteristics of any class of stocks in these regards shall be designated in the title of the account raised to cover such stocks and shall be clearly expressed in the first entry in such account.

If such issue is for money, that fact shall be stated; and if for any other consideration than money, the person to whom issued shall be designated and the consideration for which issued shall be described with sufficient particularity to identify it. If the fair cash value of the consideration realized upon the issue of any amount of stock is greater than the par value of such stock, the excess shall be credited to the account No. 215, "Premiums on Capital Stock."

## SCHEDULE B.

### INCOME AND INDICANT ACCOUNTS COMPARED.

A comparison of the balances in the foregoing accounts (Schedule A) at any time will, if the accounts have been properly kept, show the then existing condition of a corporation's affairs so far as such condition can be shown through accounts. The group of accounts just defined is sometimes called the *Balance Sheet* or *Indicant* accounts. Their balances indicate the condition of the corporation at any particular time. These accounts with their subsidiary accounts are all that is necessary prior to the time when the corporation becomes what may be called a "going concern."

When a corporation begins operations it requires an additional group of accounts in which to classify in convenient

form the accounting history of its operations. Such a group of accounts brings together, or accumulates, the account of the various incidents of the corporation's operations. This group of accounts may be called the *Income* account. They are made up usually on a yearly basis and are closed into one grand account called "Corporate Surplus or Deficit," which ties together this group of accounts and the preceding group (Schedule A).

### INCOME ACCOUNT.

#### *Divisions of Income Account.*

The principal divisions of this group of accounts are the *Revenue* accounts, the *Operating Expense* accounts, the *Income Deduction* accounts and the *Appropriation* accounts.

### REVENUES DEFINED.

By *Revenues*, are meant all accounts of money which the corporation receives or becomes lawfully entitled to receive for services rendered, for products sold, as gross profits on merchandise sold, or as a return upon its property, or interests in property. Revenues are classified as:

#### (301-315) *Operating Revenues.*

Those derived from the sale of products and merchandise, from services rendered and from returns on property used by the person or corporation in its own operations.

#### (321-322) *Non-Operating Revenues.*

Those derived as a return upon property of the corporation in the hands of others, or from its interests in property in the hands of others. They may be sub classified as *Rents*, *Interests*, *Dividends* and *Miscellaneous*.



## REVENUE DEDUCTIONS DEFINED.

*Revenue Deductions* include:

(401-436) *Operating Expenses.*

Those necessary to the production of the commodities sold, the services rendered and the collection of the revenues.

## INCOME DEDUCTIONS DEFINED.

*Income Deductions* include:

- (437) Taxes.
- (438) Uncollectible Bills.
- (439) Interest on Funded Debt.
- (440) Interest on Unfunded Debt.
- (441) Inventory Adjustments.
- (442) Miscellaneous Non-Operating Expenses.

## APPROPRIATIONS DEFINED.

*Appropriations* include:

- (501) Extinguishment of Discount on Securities.
- (502) Depreciation of Plant.
- (503) Sinking Fund Payments.
- (504) Optional Reserves.
- (505) Dividends Declared.
- (506) Miscellaneous.

## OPERATING REVENUES.

The general and divisional accounts hereunder, are arranged for recording and summing up the amounts of revenue that accrue directly from or are incident to the water supply service of the enterprise. Any revenues other than those arising from water supply service are to be treated as "Miscellaneous Revenues," account No. —. Included hereunder are revenues

both those collectible for or for which compensation is received (and those which are for water supply service furnished gratuitously).

In preparing estimates required for entries where revenue bills are rendered and collected only at the close of fixed periods and one of those periods extends into two fiscal years or other fiscal periods, assume that the revenue of the whole billing period of which the closing months of the year or other period are a part will be such percentage above or below the revenues realized for the same period one year before as previous experience justifies and credit the appropriate account hereunder with such portion of the estimated revenue for the whole period as the elapsing months constitute of that period. At the expiration of the period when bills are rendered, there should be entered the net difference between the ascertained amount and the aggregate of estimated portions thereof previously recorded.

When service is furnished free to churches, charities, schools, etc., credit the appropriate account hereunder with the value of such free service, and debit account No. 434, "Costs of Gratuitous Work." When water is furnished free to municipalities, credit the appropriation account hereunder with the value of the service rendered and debit account No. 434, "Cost of Gratuitous Work."

When amounts of cash collected on erroneous bills are later refunded in the same fiscal year, cash should be credited, and the appropriate account hereunder debited with the amount of the error.

If the refund is made in the succeeding year, the amount of the error should be debited to "Corporate Surplus or Deficit."

The balance of accounts hereunder, at the close of the fiscal year or period are to be closed into "Income Account."

### 301—METERED RATES FOR PRIVATE CUSTOMERS WITHIN THE CITY.

Credit this account with the amounts of water bills for private customers within the city furnished on meter service.

This account may, if desired, be further classified under the following headings, which shall be the titles of the sub-accounts set up hereunder.

In entering the revenue credits in these accounts, observe the following general instructions:

(a) Metered Residence Rates, within the City; rates levied upon private dwellings for household purposes and for barns and lawns in connection therewith.

(b) Metered Commercial Rates, within the City; rates levied upon houses designated as apartment houses, tenement houses, or referred to under other names, and whether the water is charged to separate families or included in one bill, provided such houses do not use the water for operating elevators and for other kindred purposes. Also all revenues for water furnished hotels, saloons, stores, warehouses, stables, and barns not for the private use of one family, etc., subject to the limitations concerning the mechanical use of water for elevators and kindred purposes.

(c) Metered Industrial Rates, within the City; rates levied for water supply on metered service to railroads, factories and other establishments using water for boilers, mechanical or manufacturing purposes or for the use of employees in such factories and other establishments, and also all water furnished jointly to houses, stores, factories and to all houses and hotels and other establishments using water for operating elevators and kindred purposes other than those mentioned in the next sentence, etc.

(d) Metered Rates for Churches, Private Schools and Charities, within the City; rates levied for water supply, on metered service, to churches, private schools and charitable institutions. When water is furnished to a church and a parsonage, and no separation of the service is made in the bill the whole should be credited to this account.

The value of water for hospitals, schools, etc., under the control of the city should be recorded in the account No. 306, "Revenues for Municipal Water Service."

### 302—UNMETERED RATES FOR PRIVATE CUSTOMERS WITHIN THE CITY.

Credit this account with the amounts of water bills for private customers within the city, furnished *without meter*, observing for such bills the general instructions given for metered water rates under account No. 301.

This account may, if desired, be further classified under the following headings, which shall be the titles of the sub-accounts set up hereunder:

- (a) Unmetered Residence Rates, within the City.
- (b) Unmetered Commercial Rates, within the City.
- (c) Unmetered Industrial Rates, within the City.
- (d) Unmetered Rates for Churches, Schools and Charities, within the City.

### 303—METERED RATES FOR PRIVATE CUSTOMERS OUTSIDE THE CITY.

Credit this account with the amount of water bills for private customers outside the city, furnished on metered service, observing for such bills the general instructions given for water rates under account No. 301.

This account may, if desired, be further classified under the following headings, which shall be the titles of the sub-accounts set up hereunder:

- (a) Metered Residence Rates, outside the City.
- (b) Metered Commercial Rates, outside the City.
- (c) Metered Industrial Rates, outside the City.
- (d) Metered Rates for Churches, Schools and Charities, outside the City.

### 304—UNMETERED RATES FOR PRIVATE CUSTOMERS OUTSIDE THE CITY.

Credit this account with the amount of water bills for private customers outside the city, furnished *without meter*,

observing for such bills the general instructions given for water rates under account No. 301.

This account may, if desired, be further classified under the following headings, which shall be the titles of the sub-accounts set up hereunder:

- (a) Unmetered Residence Rates, outside the City.
- (b) Unmetered Commercial Rates, outside the City.
- (c) Unmetered Industrial Rates, outside the City.
- (d) Unmetered Rates for Churches, Schools and Charities, outside the City.

### 305—RATES FOR MUNICIPAL AND PRIVATE WATER SUPPLY ENTERPRISES.

Credit this account with the amount of revenues accruing to the corporation during the fiscal year for water furnished other water supply enterprises, whether operated by the municipality or by private corporations or individuals.

### 306—REVENUES FOR MUNICIPAL WATER SERVICE.

Credit this account with the amount of rates received for water furnished the municipality. Also credit this account with the value of water furnished free to the municipality and concurrently charge same amount to account No. 434, "Costs of Gratuitous Work."

This account may, if desired, be further classified under the following headings, which shall be the titles of the sub-accounts set up hereunder:

- (a) Rates for Fire Departments.
- (b) Rates for Sewer Flushings.
- (c) Rates for Street Sprinkling and Washing.
- (d) Rates for Public Schools and Charities.
- (e) Rates for Other Public Buildings.
- (f) Rates for Public Parks, Fountains and Troughs.
- (g) Rates for Miscellaneous Municipal Water Service.

## MISCELLANEOUS REVENUES.

311—FEES FOR SHUTTING-OFF AND TURNING-ON  
WATER.

Credit this account with all fees received for shutting-off and turning-on water.

## 312—PLUMBING.

Credit this account with the charges made or bills rendered for plumbing work either for the municipality, private customers or corporations, including the value of materials furnished, such as meters, meter boxes and vaults, service pipes, repairs of service pipes and meters owned by and chargeable to customers, etc. Charge to this account the wages of employes engaged in the work, their personal expenses and the cost of meters and all materials and supplies consumed in the work.

313—RENTS FROM METERS, METER BOXES AND  
METER VAULTS.

Credit this account with all revenues accruing from the use, by private parties and municipalities, of the appliances named in the title of this account which are owned by the corporation and for the use of which a rental charge is made.

Charge to this account the expenses of maintaining and repairing, including testing of meters, meter boxes and meter vaults which are owned by the corporation and are rented to customers.

## 314—SUNDRY SALES.

Credit to this account the amount received or charged and billed for the sale of sundry objects incidental to the operations of the corporation, not elsewhere provided for.

## 315—MISCELLANEOUS OPERATING REVENUE.

Credit to this account all revenue accruing to the corporation from the following sources:

(a) Sundry Service. All receipts from sundry services rendered incidental to the operation of the company, not provided for elsewhere.

(b) Permits. All amounts received from or charged and billed to plumbers and customers for permits issued for making connections with the water supply system. The expenses incident to such permits should be charged to this account.

(c) Interest and Penalties on Delinquent Payments. All interest charges and penalties accruing on delinquent bills.

(d) Also any operating revenue not heretofore provided for.

## NON-OPERATING REVENUES.

## 321—INTEREST REVENUE.

Credit this account, as it accrues with all interest from its interest-bearing investments as are liabilities of solvent concerns and individuals; all dividends declared by solvent concerns upon stocks held by the corporation, all interest accruing on bank balances and other current assets.

## 322—RENTS FROM REAL PROPERTY.

Credit this account with all amounts accruing as rents receivable from real estate. Also the amounts accruing from the sale of forest products and the right to cut such products from the land belonging to the corporation about impounding dams and reservoirs; also revenues obtained from cutting ice from impounding dams and reservoirs and from any other similar sources, such as fishing, etc. Charge this account with the expenses accruing on properties rented to and in possession of other persons or corporations.

## OPERATING EXPENSES.

The accounts for operating expenses, or what may be termed "water service expenses," are arranged in four groups or divisions: Water Supply Expenses, Distribution Expenses, Maintenance and General Expenses.

I. *Water Supply Expenses* are those which represent the cost of service, materials utilized or consumed in operations of the collecting, purifying and pumping systems of the corporation.

II. *Distribution Expenses* are those which represent the cost of operations of the distribution system.

III. *Maintenance Expenses* are those which represent the costs of labor, materials, supplies, etc., consumed in keeping the plant in efficient serviceable condition.

IV. *General Expenses* are those which represent the costs of repairs, administration and such other matters as are not includible in the first two groups of accounts.

## I.—WATER SUPPLY EXPENSES.

## 401—COLLECTING SYSTEM EXPENSES.

Charge to this account the operating costs or expenses of or connected directly with the several parts of the entire water supply system which are included in the account No. 13, "Fixed Capital." This includes all wages and expenses for inspecting and policing, care-takers and other employes, but not include repairs.

This account may, if desired, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

- (a) Reservation and Drainage Area.
- (b) Impounding Dams and Reservoirs.
- (c) Lake and River Cribs.
- (d) Springs and Wells.
- (e) Infiltration Galleries and Tunnels.



- (f) Collecting Conduits and Reservoirs.
- (g) Gravity Intakes and Suction Mains.
- (h) Aqueducts and Supply Mains.

#### 402—PURIFICATION SYSTEM EXPENSES.

Charge to this account all expenses or costs incident to the purification of water. These expenses include the wages of men employed at the purification works, their personal and incidental expenses, the expenses of running the works, including the cost of chemicals and supplies, labor for cleaning basins and works, removing ice, scraping and cleaning purification apparatus, heating, lighting, etc.

Any rents paid for use of land, buildings, equipment, etc., together with repairs of rented buildings, used in connection with the purification works should be charged to this account.

The cost of repairs to the purification plant owned by the corporation, account No. 14, "Fixed Capital," should not be charged to this account.

This account may, if desired, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

- (a) Sedimentation and Coagulation.
- (b) Softening and Iron Removal.
- (c) Filtration.
- (d) Chemical Treatment.
- (e) Clear Water Basins.

#### 403—PUMPING SYSTEM EXPENSES.

Charge to this account the expenses of pumping water and of running the plant, included in account No. 15, "Fixed Capital." These expenses include the salaries and wages, personal expenses of pump station employes, fuel, water power, electric power, electric lighting, gas for power and lighting, janitor service, rent and repairs of *rented* property, oil, waste, supplies, etc.

The cost of repairs to the plant owned by the corporation, should not be charged to this account.

This account may, if desired, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

- (a) Steam Power Pumping Expenses.
- (b) Hydraulic Pumping Expenses.
- (c) Electric Pumping Expenses.
- (d) Gas Pumping Expenses.
- (e) Miscellaneous Pumping plant Expenses.

## II—DISTRIBUTION EXPENSES.

### 411—TRANSMISSION MAINS.

Charge to this account the wages and expenses of inspecting, guarding and caring for the transmission mains of the system.

### 412—STORAGE RESERVOIRS, TANKS AND STANDPIPES.

Charge to this account the expenses of inspection, guarding, and caring for the storage reservoirs, tanks and standpipes of the system, including labor employed in keeping the grounds

about same, the chemical treatment of stored water for algae growth, etc.

The cost of repairs to the plant, account No. 18, "Fixed Capital," should not be charged to this account.

### 413—DISTRIBUTION MAINS.

Charge to this account the expenses of inspecting, caring for and testing the distribution mains of the system, including the valves, valve boxes, and other fixtures and appliances and equipment connected thereto.

The cost of repairs to the plant, account No. 19, "Fixed Capital," should not be charged to this account.

## 414—SERVICE PIPES AND STOPS.

Charge to this account the expenses of inspecting service pipes and stops which are owned by the corporation.

Expenses arising from service pipes and stops owned by the customer should be charged to account No. 312, "Plumbing."

Also charge to this account the cost of material and labor including all other costs and charges incurred in connection therewith, such as permit fees, repaving charges, etc., consumed in the installation of service pipes and steps from main pipes to the customers' premises, when such costs are borne by the corporation and the services so installed are owned by the corporation, unless it is the policy of the corporation to capitalize such costs and include same in account No. 21, "Fixed Capital."

## 415—METERS, METER BOXES AND METER VAULTS.

Charge to this account the expense of inspecting, testing and other expenses, but *not repairs*, of and relating to meters, meter boxes and meter vaults which are owned by the corporation and are furnished for use of customers free of rent or other charge for the use thereof. Similar expenses relative to meters owned by customers, if compensated for should be charged to account No. 312, "Plumbing," or if assumed by the corporation gratuitously, they should be charged to account No. 434, "Costs of Gratuitous Work."

## 416—FIRE HYDRANTS AND FIRE CISTERNS.

Charge to this account the expenses of inspecting, testing, flushing, etc., of the fire hydrants and fire cisterns of the system, including therein all attention to the connection there-to from the distribution mains, the attention to and repacking of valves, etc.

## 417—FOUNTAINS, TROUGHS AND OTHER EQUIPMENT.

Charge to this account the expenses of labor, materials and supplies for inspecting, testing, caring for, etc., all the plant included in account No, 24, "Fixed Capital."

## III—MAINTENANCE EXPENSES.

### 421—REPAIRS.

Charge to this account the cost of repairing the various properties owned by the corporation. These costs should be carefully distinguished from costs of running the various branches of the system, on the one side, and from the costs of replacements, renewals, betterments and additions on the other. The costs first mentioned give rise to no physical changes in the properties of the corporation. Repairs, replacements, renewals, betterments and additions, on the other hand give rise to such changes. In recording the two classes of costs mentioned, observe the distinction as to the significance of these terms.

It may be noted in this connection that the substitution of a new engine, boiler, pumping engine or other apparatus, for an old one, is to be treated as a replacement or a betterment; while the substitution of only a portion of such equipment—as a plunger for a pump or a grate bar for a boiler—is a repair.

This account may, if desired, be further classified under the following headings, which shall be the titles of sub-accounts set up hereunder:

- (a) Collecting System Repairs.
- (b) Purification System Repairs.
- (c) Pumping System Repairs.
- (d) Distribution System Repairs.
- (e) General Repairs (of buildings and equipment not includible in either of the foregoing accounts).

## IV—GENERAL EXPENSES.

## 431—ADMINISTRATION.

Charge to this account all salaries of general officers, and clerks, stenographers and other employes whose duties relate to the general business of the corporation and are not provided for elsewhere; all costs of office supplies, stationery, printing, postage, etc., telephone and telegraph service; all legal expenses except such as are provided for in account No. 433, "Injuries and Damages;" all expenses incurred in connection with the conduct of a relief department, including pensions allowed retired employes; and also any miscellaneous expenses connected with the administration of the corporation not elsewhere provided for.

## 432—INSURANCE.

Charge to this account premiums paid to insurance companies for fire, fidelity, boiler, casualty, burglar, and all other insurance; also amounts set aside as an insurance reserve.

## 433—INJURIES AND DAMAGES.

Charge to this account all expenses on account of persons killed or injured and property damaged in connection with the operation of the plant and system of the corporation, including all law expenses in connection with the defense or settlement of damage claims.

## 434—GRATUITOUS WORK.

Charge to this account the value of all water service and the costs of work, materials and supplies, furnished free of charge to municipalities or private customers. Included in this account should be only such costs as the corporation would have a clear right to make charge for, but which the policy of the company fixes as free service.

## 435—STABLE AND SHOP EXPENSES.

Charge to this account the expenses which accrue from operation and maintenance of stable and teams, including wages, rent, feed, harness repairs, shoeing, team repairs, etc., and hire of teams, if not owned.

Also wages of shop employes, and materials and supplies consumed by the shop, rent of shop buildings, repairs to same, if rented, etc.

NOTE—This account can be distributed to the appropriate operating accounts monthly, or at close of year, if desired.

## 436—MISCELLANEOUS OPERATING EXPENSES.

Charge to this account such other expenses as are not properly includible elsewhere and are of such unimportant character as not to warrant the opening of separate accounts therefor.

## DEDUCTIONS FROM INCOME.

## 437—TAXES.

Charge to this account all taxes paid; this includes taxes on real estate, personal property, capital stock, gross earnings, franchises, etc.

## 438—UNCOLLECTIBLE BILLS.

When, after a reasonably diligent effort to collect, any amount stated for water or other service has proven impracticable of collection, it shall be charged to this account and credited to the account receivable in which theretofore charged.

## 439—INTEREST ON FUNDED DEBT.

Charge to this account all interest accrued absolutely on the outstanding funded debt of the corporation. This includes

mortgage bonds, income bonds (if interest on such be payable), debentures and mortgages and ground rents.

#### 440—INTEREST ON UNFUNDED DEBT.

Charge to this account all interest paid or accrued on promissory notes or other unfunded debt of the corporation.

#### 441—INVENTORY ADJUSTMENTS.

Charge or credit to this account any shortages or overages shown by the inventory of Materials and Supplies which can not be distributed to the proper construction or operating expense account.

#### 442—MISCELLANEOUS NON-OPERATING EXPENSES.

Charge to this account all non-operating expense not provided for in any of the foregoing accounts.

#### APPROPRIATIONS.

The balance resulting from closing the foregoing expense accounts for any fiscal period into Revenue accounts for that period gives the Net Corporate Income for that period. The Net Corporate Income should be closed into the "Corporate Surplus or Deficit" account. The group of accounts which show for any fiscal period the changes in the "Corporate Surplus or Deficit" account are designated the "Appropriation" accounts, for the reason that substantially all of them are subject only to the discretion of the corporation. At the end of each fiscal period each of the "Appropriation" accounts shall be closed into the "Corporate Surplus or Deficit" account.

### 501—EXTINGUISHMENT OF DISCOUNT ON SECURITIES.

Charge to this account, at the close of each year, the proportion of the unextinguished discount on securities applicable to the period. This proportion shall be such an amount as will completely wipe out the discount on the debt during the interval between issue and maturity of the same.

The corporation may, if it so desire, earlier wipe out such discount by charging all or any portion thereof to "Corporate Surplus or Deficit."

### 502—DEPRECIATION OF PLANT.

At the close of each year after July 1, 1911, the amounts charged to the various repair (or Maintenance) accounts during the year shall be compared with the amount estimated to be necessary to cover such wear and tear and obsolescence and inadequacy as have accrued during the year in the tangible capital of the corporation, such portion of the life of the intangible fixed capital as has expired or been consumed during the year, and the amount estimated to be necessary to provide a reserve to cover the cost of property destroyed by extraordinary casualties. If the estimated deterioration exceeds the total repairs, the account "Depreciation of Plant" shall be *debited* and the reserve account No. 213, "Reserve for Accrued Depreciation" credited with an amount equal to the excess; if the sum of the repairs exceeds the estimated deterioration, the account "Reserve for Accrued Depreciation" shall be *debited* and "Depreciation of Plant" *credited* with an amount equal to the excess. The net amount charged (or credited) to this account for any year, and concurrently credited (or charged) to the reserve account "Reserve for Accrued Depreciation" must be sufficient to provide in that account in respect of the several items of plant, by the time such items go out of service, a reserve equal to the original cost thereof, less salvage.



When any capital is retired from service, the amount (estimated if not known) originally charged to a capital account in respect thereof shall be credited to such capital account, and the original cost of such capital, less salvage, if any, shall be charged to the account "Reserve for Accrued Depreciation," any necessary adjusting entry being made in the proper account under "Corporate Surplus or Deficit." Where capital is substantially continuous and cannot be satisfactorily individualized, it shall be kept in efficient operating condition through repair, and the renewals and replacements of parts thereof shall be considered repairs. In the case of buildings and other separate structures capable of being readily individualized, charges to this account must be sufficient to provide in the account "Reserve for Accrued Depreciation" a reserve equal to the original cost thereof, less salvage, by the time such structures go out of service.

NOTE—Until otherwise ordered, the "amount estimated to be necessary to cover such wear and tear and obsolescence and inadequacy as have accrued during" any year shall be based on a rule determined by the accounting corporation.

Such rule may be derived from a consideration of the said corporation's history and experience during the preceding five years. Depreciation of intangible capital shall likewise be based on rule. Whatever may be its basis, such rules and a sworn statement of the facts and expert opinions and estimates upon which they are based shall be filed with the Public Service Commission on or before January 1, 1912; each amendment of any such rule and a sworn statement of the facts and expert opinions and estimates upon which such amendment is based shall be filed with the Public Service Commission before it is used by the accounting corporation, and shall show the date when it is to be effective. Such rules and statements shall be filed upon sheets 8½ by 11 inches in size, and shall be entitled "Rule of the (here naming the accounting corporation) concerning 'Reserve for Accrued Depreciation'."

### 503—SINKING FUNDS.

Charge to this account and credit "Sinking Fund Reserve" the amount of all accruals required to be made to Sinking funds in accordance with the provisions of mortgages or other contracts requiring the establishment of Sinking funds.

## 504—OPTIONAL RESERVES.

When any special reserve is created by the corporation, charge the amount set aside to this account and credit the special reserve, giving the account such title as shall clearly designate the purpose for which the reserve is created.

## 505—DIVIDENDS DECLARED.

Immediately upon the declaration of a dividend this account should be charged the amount of such dividend and credit made to the account "Dividends Payable."

## 506—MISCELLANEOUS.

*Bad Debts.*

When any debt theretofore written off is collected, the amount of the collection, less expense involved in such collection, shall be credited to the "Corporate Surplus or Deficit" account. Charge to the "Corporate Surplus or Deficit" account any debts written off from the accounts of the corporation which are placed in the "Bad Debt" class.

NOTE—Such "uncollectible bills" as have been provided for in the heretofore defined "Uncollectible Bills" account must not be included in this account.

*Expenses Elsewhere Unprovided For.*

Charge to the "Corporate Surplus or Deficit" account all expenses not chargeable as a part of operating expenses or of non-operating expenses, such as fines levied on the corporation for violation of law, for misfeasance, for non-feasance, etc., fines levied on directors, officers and other employes and assumed by the corporation, donations to funds, to churches, and other associations, and other like expenses and out-goes.

*Other Additions to Surplus.*

Credit to the "Corporation Surplus or Deficit" account all additions to surplus because of erroneous accounting in prior fiscal periods, and all other additions to surplus not elsewhere provided for.

*Other Deductions from Surplus.*

Charge to the "Corporate Surplus or Deficit" account all deductions from surplus because of erroneous accounting in prior fiscal years, and all other deductions from surplus not elsewhere provided for.

NOTE—A complete analysis of the "Miscellaneous Appropriations" will be required in the annual reports of Corporations to the Public Service Commission.

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## CLOSING ENTRIES AT END OF FISCAL YEAR JUNE 30th

**OPERATING REVENUES**

Credit Operating Revenues with the amounts to credit of Accounts Nos. 301 to 315, inclusive, and close these accounts.

**NON-OPERATING REVENUES**

Credit Non-Operating Revenues with the amounts to credit of Accounts Nos. 321 and 322 and close these accounts.

**OPERATING EXPENSES**

Debit Operating Expenses with the amounts to debit of Accounts Nos. 401 to 436, inclusive, and close these accounts.

**INCOME ACCOUNT**

Credit Income Account with the amount to credit of Operating Revenues and close this account.

Credit Income Account with the amount to credit of Non-Operating Revenues and close this account.

Debit Income Account with the amounts to debit of Accounts Nos. 437 to 442, inclusive, and close these accounts.

The balance of Income Account is to be transferred to the Corporate Surplus or Deficit Account and Income Account closed.